

Message Text

UNCLASSIFIED

PAGE 01 BERN 01693 211505Z

63

ACTION EUR-12

INFO OCT-01 AF-08 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04

OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 FSE-00 ABF-01

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R 211329Z APR 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 2458

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA

AMCONSUL ZURICH

UNCLAS BERN 1693

PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN SZ

SUBJ: SWISS IMPOSE CONTROLS ON FOREIGN BANKNOTE IMPORTS

1. SUMMARY: AS OF APRIL 21, 1976, THE IMPORTATION OF FOREIGN BANKNOTES IS LIMITED TO SF 20,000 PER PERSON PER QUARTER IN AN EFFORT TO REDUCE UPWARD PRESSURE ON THE SWISS FRANC. ACCORDING TO PRESS REPORTS, SWISS BANKER DOUBT THE EFFECTIVENESS OF THE NEW MEASURE. END SUMMARY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 01693 211505Z

2. THE SWISS FEDERAL COUNCIL HAS ISSUED A DECREE

LIMITING THE IMPORTATION OF FOREIGN BANKNOTES TO THE EQUIVALENT OF SF 20,000 (ABOUT \$8,000) PER PERSON PER QUARTER EFFECTIVE APRIL 21, 1976. THE RESTRICTION DOES NOT APPLY TO TRAVELER'S CHECKS OR OTHER NEGOTIABLE INSTRUMENTS DENOMINATED IN FOREIGN CURRENCIES. UNDER THE DECREE, THE SWISS NATIONAL BANK (SNB) CAN AUTHORIZE THE IMPORTATION OF FOREIGN BANKNOTES IN EXCESS OF THE CEILING TO FACILITATE TOURISM, TRADE, OR OTHER PAYMENTS. THE FEDERAL DEPT OF FINANCE AND CUSTOMS IS CHARGED WITH ENFORCEMENT AND VIOLATORS MAY BE PUNISHED WITH UP TO THREE MONTHS IMPRISONMENT AND/OR A FINE OF UP TO SF 100,000 (\$40,000). ALL ILLEGALLY IMPORTED FOREIGN BANKNOTES WILL BE CONFISCATED.

3. ACCORDING TO PRESS REPORTS, THE GOS WISHES TO MINIMIZE THE PAPER WORK INVOLVED IN CONTROLLING THE INFLOW OF FOREIGN BANKNOTES. REPORTEDLY, EVERYONE (INCLUDING SWISS CITIZENS) ENTERING THE COUNTRY WILL BE ASKED TO VERBALLY DECLARE THE VALUE OF FOREIGN BANKNOTES IN THEIR POSSESSION. IF A PERSON HAS THE EQUIVALENT OF MORE THAN SF 20,000 HE WILL NOT BE ALLOWED TO ENTER THE COUNTRY UNLESS THE EXCESS IS TURNED OVER TO THE SWISS AUTHORITIES TO BE RETURNED WHEN HE DEPARTS SWITZERLAND. IF THE AMOUNT IS VALUED AT SF 20,000 OR LESS, THE PERSON WILL BE ALLOWED TO ENTER THE COUNTRY WITHOUT COMPLETING ANY FORMS.

4. SOME SUCH ACTION HAS BEEN RUMORED FOR SEVERAL WEEKS (SEE BERN 1565), BUT MOST BANKERS DID NOT THINK IT WOULD ACTUALLY HAPPEN. THE REACTION OF THE SWISS BANKING COMMUNITY WAS ONE OF SURPRISE AND SKEPTICISM. OFFICIALLY, THE MEASURE IS INTENDED TO REDUCE UPWARD PRESSURE ON THE SWISS FRANC, AND GOS OFFICIALS HAVE PUBLICALLY DENIED THAT IT WAS IMPOSED UNDER PRESSURE FROM THE ITALIAN GOVERNMENT. THE BANKERS POINT OUT, HOWEVER, THAT MOST FOREIGN CAPITAL INFLOWS ARE IN THE FORM OF BANK-TO-BANK TRANSFERS WHICH ARE NOT AFFECTED BY THE BANKNOTE CEILING. MOREOVER, UPWARD PRESSURE ON THE FRANC IS DUE MORE TO SWITZERLAND'S LOW RATE OF INFLATION AND POLITICAL STABILITY THAN TO THE INFUX OF BANKNOTES. THE BANKERS DOUBT THAT THE RESTRICTION WILL BE VERY EFFECTIVE IN REDUCING PRESSURE

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 01693 211505Z

ON THE FRANC SINCE FOREIGN BANKNOTES CAN STILL BE EXCHANGED FOR FRANCS OUTSIDE SWITZERLAND (E.G., IN NEW YORK OR FRANKFURT).

5. MOST OBSERVERS BELIEVE THAT THE FEDERAL COUNCIL TOOK THIS ACTION FOR POLITICAL RATHER THAN ECONOMIC REASONS. DOMESTICALLY, THE COUNCIL HAS BEEN UNDER PRESSURE FROM EXPORTERS TO DO SOMETHING MORE ABOUT THE APPRECIATION OF THE FRANC. IN FACT, THERE IS LITTLE THE GOS CAN DO ABOUT

APPRECIATION OF THE FRANC IN ADDITION TO MEASURES ALREADY
IN FORCE, BUT THE NEW RESTRICTION DOES AT LEAST LOOK LIKE A NEW
INITIATIVE. THE COUNCIL'S ACTION CAN ALSO BE INTERPRETED AS A
GEUSTURE TOWARDS COUNTRIES WITH CAPITAL FLIGHT PROBLEMS.

6. THE EMBASSY WILL OBTAIN A COPY OF THE DECREE AND
WILL REPORT FURTHER ON THE EFFECTIVENESS OF THE NEW CONTROLS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, PRESS COMMENTS, IMPORT CONTROLS, BANK NOTES, FRANC, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BERN01693
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760151-0758
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760441/aaaabibr.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 12 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 AUG 2004 by SilvaL0>; APPROVED <18 JAN 2005 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS IMPOSE CONTROLS ON FOREIGN BANKNOTE IMPORTS
TAGS: EFIN, SZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006